

## Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC 4326  
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C O N F I D E N T I A L SECTION 01 OF 02 NATO 05731

E. O. 11652: GDS  
TAGS: NATO, EFIN, AORG  
SUBJECT: JOINT CIVIL AND MILITARY BUDGET COMMITTEES'  
MEETINGS

REF: NATO 4258 (DTG 272104Z MAY 77)  
SUMMARY: THE JOINT CIVIL AND MILITARY  
BUDGET COMMITTEES HELD SEVERAL MEETINGS TO DISCUSS THE  
EFFECT OF THE NEW PENSION SCHEME ON THEIR BUDGETS,  
AND TEMPORARY FINANCIAL ARRANGEMENTS TO BE  
FOLLOWED FOR THIS SCHEME. THEY WERE ASKED TO DISCUSS  
THE COST ARRANGEMENTS OF THE FRENCH PARTICIPATION IN  
THE NATO-WIDE COMMUNICATIONS SYSTEM. END SUMMARY.

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### 1. PENSION SCHEME

THE NORTH ATLANTIC COUNCIL APPROVED THE PENSION SCHEME  
FEBRUARY 10, 1977. EMPLOYEES HIRED PRIOR TO  
JULY 1, 1974, HAVE UNTIL FEBRUARY 10, 1978, TO DECIDE  
WHETHER TO REMAIN WITH THE PROVIDENT FUND OR JOIN THE  
PENSION SCHEME. THE 219 EMPLOYEES HIRED BY NATO SINCE  
JULY 1, 1974, AUTOMATICALLY BECOME MEMBERS OF THE  
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PENSION SCHEME.

150 FORMER NATO EMPLOYEES ARE ELIGIBLE TO JOIN THE  
SCHEME (CCG(76)1, ARTICLE 43 (3)), SOME OF WHOM MIGHT  
BE ENTITLED TO RECEIVE A PENSION NOW. ONLY 12  
EMPLOYEES HIRED PRIOR TO JULY 1, 1974, HAVE ELECTED TO  
JOIN THE SCHEME. FINAL DECISIONS ARE EXPECTED ONLY IN

JANUARY FOR THE MAJORITY OF THOSE WHO WILL OPT FOR THE PENSION SCHEME. (TWO QUESTIONS CVQCERN EMPLOYEES - A LOAN COULD BE OBTAINED FROM THE PROVIDENT FUND AND THE EMPLOYEE'S SHARE IN THE FUND WOULD GO TO HIS BENEFICIARY AT DEATH. IN THE PENSION SCHEME, NO LOANS ARE GRANTED AND ONLY AN IDENTIFIED DEPENDENT COULD RECEIVE A PENSION.)

AT THE REQUEST OF THE NATO CONTROLLER, THE CIVIL AND MILITARY BUDGET COMMITTEES HELD JOINT MEETINGS TO DISCUSS THE FINANCIAL QUESTIONS RELATING TO THE PENSION SCHEME, PENSION PAYMENTS AND PROVIDENT FUND. AFTER DETAILED DISCUSSIONS, THE COMMITTEES ADOPTED "DECISIONS OF PRINCIPLE," AS FOLLOWS:

A. A "TREASURY SUSPENSE ACCOUNT" WOULD BE ESTABLISHED FOR EACH BUDGET;

B. RECEIPTS (EMPLOYEE'S DEDUCTION, ORGANIZATIONS' CONTRIBUTION AND EARNED INTEREST FOR EACH ACCOUNT) FROM THE PROVIDENT FUND FOR THE 219 EMPLOYEES HIRED SINCE JULY 1, 1974, WILL BE CREDITED TO THE SUSPENSE ACCOUNT AS OF JUNE 30, 1977;

C. PENSION AND LEAVING ALLOWANCE PAYMENTS WILL BE MADE FROM THIS SUSPENSE ACCOUNT;  
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D. NO 14 CONTRIBUTION WILL BE MADE TO THE PROVIDENT FUND FOR THE 219 EMPLOYEES AFTER JULY 1, 1977;

E. THE 7 DEDUCTION FROM THE SALARY OF THE 219 EMPLOYEES FOR THE PENSION SCHEME WILL BE CREDITED TO THE SUSPENSE ACCOUNT BEGINNING JULY 1, 1977;

F. A ONE-TIME ADJUSTMENT WILL BE MADE IN MARCH 1978 FROM THE PROVIDENT FUND TO THE PENSION SCHEME SUSPENSE ACCOUNT FOR THE EMPLOYEES WHO OPT FOR THE PENSION SCHEME. ORGANIZATIONS' CONTRIBUTIONS OF 14 TO THE PROVIDENT FUND FOR THOSE EMPLOYEES WILL CEASE, AND THE EMPLOYEES' 7 DEDUCTION FOR THE PENSION SCHEME WILL BE CREDITED TO THE SUSPENSE ACCOUNT EFFECTIVE MARCH 1, 1978.

G. RECEIPTS FOR VALIDATING SERVICE OF FORMER EMPLOYEES JOINING THE PENSION SCHEME WILL BE CREDITED TO THE SUSPENSE ACCOUNT.

2. BUDGETS

THE EFFECT ON THE BUDGETS AS A RESULT OF THE NEW  
PENSION SCHEME WILL BE AS FOLLOWS:

A. THE 1977 SUPPLEMENTARY NATO INTERNATIONAL STAFF  
BUDGET ESTIMATE WILL EXCLUDE THE 14 CONTRIBUTION TO THE  
PROVIDENT FUND FOR THE 219 EMPLOYEES;

B. THE 1978 INITIAL BUDGETS SHALL INCLUDE AN ESTIMATE  
FOR THE 14 CONTRIBUTION TO THE PROVIDENT FUND BASED ON  
ONLY 70 OF THE ANNUAL SALARY COST. TO PERMIT

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COMPARISON WITH THE 1977 BUDGET, THE COST OF THE 14  
CONTRIBUTION FOR THE 30 BALANCE WILL BE AVAILABLE. AS  
SOON AS POSSIBLE AFTER THE CLOSE OF THE OPTION PERIOD,  
THE JOINT COMMITTEES WILL BE ASKED TO RECOMMEND A  
SOLUTION CONCERNING THE SUSPENSE ACCOUNTS AND ADVISE ON  
BUDGETARY ARRANGEMENTS TO BE ADOPTED AFTER  
JANUARY 1, 1979, FOR THE PENSION SCHEME.

### 3. REIMBURSEMENTS

PARAGRAPH 30 OF CCG(76)1 PROVIDES THAT ASSETS OF THE  
PROVIDENT FUND WOULD BE REIMBURSED TO MEMBER  
GOVERNMENTS AFTER VALIDATION OF SERVICE FOR EMPLOYEES  
WHO ELECTED TO JOIN THE PENSION SCHEME. THE CONTROLLER  
RECOMMENDED, AND THE JOINT COMMITTEES AGREED, THAT THE  
MEMBER GOVERNMENTS BE REIMBURSED ONCE A YEAR FROM THE  
TREASURY SUSPENSE ACCOUNTS TO WHICH THE VALIDATION COSTS  
HAD BEEN CREDITED.

THE AMOUNT OF REIMBURSEMENT IS UNKNOWN. ALTHOUGH NO

DECISION WILL BE REQUIRED FOR SEVERAL MONTHS,  
CONSIDERATION SHOULD BE GIVEN NOW WHETHER THE AMOUNT  
DUE TO THE US SHOULD BE CREDITED TOWARDS ITS YEARLY  
CONTRIBUTION TO THE NATO BUDGETS OR RETURNED TO THE US  
TREASURY. IT WOULD APPEAR MORE PRACTICAL TO CREDIT THE  
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US SHARE TO THE ANNUAL BUDGET CONTRIBUTIONS.

4. COMMENT: IT SURPRISED THE MEMBERS OF THE JOINT  
BUDGET COMMITTEES THAT SO LITTLE THOUGHT HAD BEEN GIVEN  
EITHER BY THE NATO ADMINISTRATIVE AND PERSONNEL OFFICERS  
OR THE CONTROLLER TO THE WORK AND DECISIONS THAT WOULD  
BE REQUIRED BY THEM WITH THE INTRODUCTION OF THE PENSION  
SCHEME. THE 127TH REPORT (CCG(76)1), DATED  
JANUARY 22, 1976, PROVIDED SUFFICIENT BACKGROUND ON  
WHICH WORK COULD HAVE BEGUN, ALTHOUGH IT WAS APPROVED  
ONLY WITH THE 132ND AND 134TH REPORTS BY THE NAC ON  
FEBRUARY 10, 1977. NATO PERSONNEL COULD HAVE BEGUN  
LOCATING FORMER EMPLOYEES WHO ARE ELIGIBLE FOR THE  
PENSION SCHEME, BUT NOTHING APPARENTLY WAS DONE  
UNTIL MARCH 1977. THE PERSONNEL DIRECTOR IS NOW  
COMPLAINING ABOUT STAFF SHORTAGES AND THE HEAVY WORKLOAD  
ON HIS STAFF RESULTING FROM THE PENSION SCHEME. THE  
CONTROLLER SPOKE ONLY IN GENERAL TERMS ABOUT HIS  
REQUIREMENTS AT THE FIRST JOINT MEETING, AND ONLY  
PRESENTED WRITTEN PROPOSALS WHEN REQUESTED TO DO SO.  
END COMMENT. END LIMITED OFFICIAL USE.

BEGIN CONFIDENTIAL

5. DOCUMENT OCB/77/108 - FRENCH PARTICIPATION IN THE  
NATO-WIDE COMMUNICATIONS SYSTEM. THE MAJORITY OF THE  
DELEGATES WERE UNABLE TO CONSIDER THIS DOCUMENT, WHICH  
HAD BEEN PRESENTED SO THE COMMITTEES COULD STUDY THE  
OPERATING AND MAINTENANCE COSTS OF THE SYSTEM WITH  
FRENCH PARTICIPATION AND DETERMINE WHETHER THE CHARGES  
SHOULD BE BROUGHT FROM VARIOUS MILITARY BUDGETS INTO  
THE CIVIL BUDGET.

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6. THE COMMITTEES WILL DECIDE AT THEIR NEXT JOINT  
MEETING WHETHER IT IS OPPORTUNE TO CONSIDER THE QUESTION  
OF THE COST OF THE SYSTEM AND THE BUDGET TO BE CHARGED.  
THEY DID REFER THE COST FIGURES PRESENTED IN ANNEXES I

AND II OF THE DOCUMENT TO THE WORKING GROUP OF NATIONAL COMMUNICATIONS EXPERTS TO CONFIRM THEIR ACCURACY FOR PRESENT AND EXTENDED USE OF THE COMMUNICATIONS SYSTEM.

7. COMMENT: THERE ARE MANY UNRESOLVED QUESTIONS CONCERNING THE PARTICIPATION OF FRANCE IN THIS SYSTEM WHICH ARE BEING CONSIDERED BY THE INFRASTRUCTURE COMMITTEE. UNTIL THESE QUESTIONS ARE ANSWERED, WE DO NOT BELIEVE THAT THE COMMITTEES SHOULD CONSIDER THIS SUBJECT. END COMMENT.

8. ACTION REQUESTED: AUTHORITY TO TAKE THE POSITION SUGGESTED IN PARA 7 ABOVE IN THE NEXT JOINT MEETING OF THE COMMITTEES. END CONFIDENTIAL.STREATOR

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